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Approved For Release 2005/08/03 : CIA-RDP86-00964R000200070005-484-4021

MEMORANDUM FOR: Chief, Audit Staff

VIA: Inspector General

FROM: Robert W. Magee  
Director of Personnel

SUBJECT: Response to Report of Audit, Government Employees  
Health Association, Inc. 1 January 1982 -  
31 December 1983

1. The Office of Personnel accepts the findings of the Government Employees Health Association (GEHA) audit and wishes to commend the audit team for their strong positive support, which we appreciate. Our comments on the audit recommendations follow:

° Recommendation #1: Reconcile the Contract Health Insurance (CHI) premium general ledger accounts at least quarterly.

All parties concerned recognize the complexity of the CHI financial administration with payroll deductions from three sources, government contributions from two sources and periodic over-the-counter payments from overseas locations. Much progress has been made in 1984, but final resolution of the reconciliation problems will probably not occur until automation is completed. As an interim measure, the Audit Staff has provided an end of year 1983 dollar figure for reconciliation and we, with audit staff assistance, are presently manually conducting individual account reconciliations for all of 1984.

° Recommendation #2: Accrue revenues earned but not received and expenses incurred but not paid at year end.

The Audit Staff designed and periodically updates GEHA bookkeeping procedures. If GEHA's financial growth and proposed accounting automation make year end accrual of earned revenues appropriate, we will amend our procedures to do so immediately beginning with 1984.

° Recommendation #3: Prepare annual financial statements for Board and membership information.

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One of the purposes of the accounting automation under development is to provide us with the ability to produce this type of recommended financial reporting. It will not be operational, however, for some time. As an interim, we plan to construct manually a financial statement similar but not identical to exhibits A, B, and C of the audit for 1984.

2. I trust that you will find our responses satisfactory.

Robert W. Magee

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